

“Flood Insurance Coverage/Rates Summary”

Excerpted From Unit 9 of “Managing Floodplain Development Through the National Flood Insurance Program”

Amount of coverage

Insurance rates for all buildings are based on a two-tiered system: a first or basic layer of coverage and a second or additional layer. The maximum amounts available under each layer are shown in Figure 9 -1

BUILDING COVERAGE	Basic Insurance limits	Additional insurance limits	Total insurance limits
Single-family dwelling	\$ 50,000	\$200,000	\$250,000
2-4 family dwelling	\$ 50,000	\$200,000	\$250,000
Other residential	\$135,000	\$115,000	\$250,000
Nonresidential	\$135,000	\$365,000	\$500,000
CONTENTS COVERAGE			
Residential	\$ 15,000	\$ 85,000	\$100,000
Nonresidential	\$115,000	\$385,000	\$500,000

Figure 9-1. Amount of Insurance Available

Note: This table is for communities in the Regular Phase of the NFIP. If your community has a Flood Insurance Rate Map and is participating in the NFIP, it is in the Regular Phase. Coverage amounts are as of October 1, 1997.

Waiting period

A 30-day waiting period follows the purchase of a flood insurance policy before it goes into effect.

The objective of this waiting period is to encourage people to keep a policy at all times. FEMA does not want folks to wait for the river to rise before they buy their coverage. Also, to be on a sound financial basis, the NFIP needs everyone at risk to pay their share of the premiums.

Many people have found out about the waiting period the hard way. Your community would be wise to publicize availability of flood insurance so residents can be protected when a flood comes.

RATING BUILDINGS

The insurance agent calculates the premium for a flood insurance policy on a property. The premiums on new buildings are based on the risk of flooding and flood damage. If a building is built incorrectly, the owner may be faced with very high premiums or insufficient coverage. On the other hand, if a building is built properly, the owner will pay less than what it costs to insure a pre-FIRM building under the “subsidized” rates.

The two aspects of the NFIP – insurance and regulations – reinforce each other. How well local floodplain management regulations are enforced affects the flood insurance rates paid by the citizens of your community. Consequently, it is important for you to know how flood insurance rates are set for new buildings. As noted earlier, 99% of the communities in the NFIP are in the Regular Phase. Only a few communities with minor flood problems are still in the Emergency Phase. This section only discusses the Regular Phase rates. Emergency Phase policies are rated similarly to pre-FIRM policies.

RATING PRE-FIRM BUILDINGS

Pre-FIRM buildings are those built before the effective date of your first Flood Insurance Rate Map (FIRM). This means they were built before detailed flood hazard data and flood elevations were provided to the community and usually before your community enacted comprehensive regulations on floodplain construction.

Pre-FIRM buildings can be insured using “subsidized” rates. They are designed to help people afford flood insurance even though their buildings were not built with flood protection in mind.

The “subsidy” in the subsidized rate is not funded by taxpayers. It is, in fact, an insurance mechanism called cross-subsidization. The NFIP insurance costs are supported from flood insurance premiums, so post-FIRM and B, C and X Zone policy holders are, in effect, helping their pre-FIRM counterparts obtain affordable flood insurance coverage.

The pre-FIRM building rates for a single-family house are shown in Figure 9-2. They are based on the building type and FIRM zone. The elevation of the building is not counted because most people do not have elevation data on pre-FIRM buildings. If there is an elevation certificate or similar record, then the building can be rated at the post-FIRM rate, if it is lower.

A, AE, A1-A30, D Zones		V, VE, V1-V30 Zones	B, C, X Zones
Building type	Building Contents	Building Contents	Building Contents
No basement	.68/.20 .79/.36	.68/.51 .79/.90	.31/.09 .50/.16
With basement	.73/.36 .79/.36	.73/1.29 .79/.90	.36/.19 .58/.31
With enclosure	.73/.28 .79/.36	.73/. 90 .79/.90	.36/.14 .58/.26
Mobile home	.68/.20 .79/.35	.68/2.48 .79/.90	.31/.19 .50/.16

Rates are per \$100 coverage. The two numbers under each category (Building or Contents) reflect the rates for the basic and additional layers of coverage explained in Figure 9-2. The FIRM zones designations are explained in Figure 3-10.

Figure 9-2. Rates for pre-FIRM single-family dwellings.

If a pre-FIRM building is substantially damaged or substantially improved, it will be rerated as a post-FIRM building (determining substantial damage and substantial improvement is explained in Unit 8).

RATING NEW BUILDINGS

The premium rates for new or post-FIRM construction are actuarial, meaning they are based on the known risk the building is exposed to. Post-FIRM rates base the risk on the elevation of the lowest floor (including the basement) of the building in relation to the base flood elevation or BFE. These rates are shown for a single family residence in figure 9-3.

Figure 9-3 shows how the rates are dependent on the elevation of the lowest floor in relation to the BFE. The higher the floor, the lower the rate. A building with the lowest floor at the BFE ("0" in Figure 9-3) benefits from a lower rate than a pre-FIRM building's "subsidized" rate: 45 cents per \$100 for the first layer compared to 68 cents per \$100 for a building in the AE Zone.

Lowest floor	AE, A1 - A30 Zones		VE, V1 - V30 Zones	
vs. BFE Building	Building	Contents	Building Contents	
+4	.16/.08	.21/.12	.36	.19
+3	.16/.08	.21/.12	.41	.19
+2	.18/.08	.21/.12	.53	.27
+1	.26/.08	.36/.12	.71	.49
0	.45/.0	.80/.12	.93	.74
-1	1.16/.61	2.02/1.01	1.23	1.07
-2	Submit to rate		1.59	1.51

Notes: AE, A1 - A30 Zone rates are for one floor, no basement. The two numbers reflect the rates for the basic and additional layers coverage which are explained in Figure 9-1. VE, V1 - V30 Zone rates are for post-FIRM construction after 1981 with no lower obstruction. The rates for the first and second layers of coverage are the same in the V zones.

Figure 9-3. Rates for post-FIRM single family dwellings in the SFHA

Submit to rate

The insurance agent's rate tables do not cover cases where the building is two or more feet below the BFE. The agent must send the application to his or her company headquarters for a special, individualized rating. This procedure is known as submit to rate.

Submit to rate premiums on policies that are significantly below the BFE can be as high as \$25,000.

Since a submit-to-rate policy often is an indicator of the property owner's noncompliance with a community's regulations, the community's failure to enforce its regulations, or the result of a variance action, these cases are forwarded to the appropriate FEMA Regional Office for investigation.

Elevation certificates

You can see how important it can be for the owner to have the building properly rated. One of the key tools that helps do this is the elevation certificate. This form tells the insurance agent how high the building is and how high the base flood elevation is. It is discussed in Unit 7, Section G.

Floodproofing

A floodproofed nonresidential building is rated based on the elevation of its lowest floor, unless it is floodproofed to one foot above the BFE. Then, one foot is subtracted from the flood protection level. Thus, a building must be floodproofed to one foot above the BFE in order to get the same rates as a building elevated to the BFE.

If a building is only floodproofed to the BFE or lower, this floodproofing credit cannot be used and it will be rated based on the floor elevation. If the lowest floor is two or more feet below the BFE, it will be a submit to rate.

Buildings that are floodproofed need floodproofing certificates, as explained in Unit 7, Section G.

ADDITIONAL INFORMATION

The manual “Managing Floodplain Development Through the National Flood Insurance Program” is available on-line at www.floods.org/IS9/is9.htm.